

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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FEA-01 ACDA-07 IO-13 MC-02 DHA-02 SNM-02 DEAE-00

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R 091915Z NOV 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 2592

INFO AMEMBASSY BRASILIA

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

C O N F I D E N T I A L SECTION 1 OF 2 LIMA 10217

EO 11652: GDS

TAGS: PFOR, PINT, PE, US, SHUM, SNAR

SUBJECT: U.S.-PERUVIAN RELATIONS: WHERE THEY ARE AND WHERE  
THEY MAY BE GOING

SUMMARY: THE PERUVIAN GOVERNMENT HAS CHANGED ITS POLITICAL COURSE  
AND ECONOMIC POLICIES OVER THE LAST YEAR. THE CHANGES ARE  
FAVORABLE TO U.S. INTERESTS AND PROSPECTS FOR FURTHER IMPROVING  
BILATERAL RELATIONS. THE KEY TO THESE CHANGES WAS PERUVIAN  
ECONOMIC DIFFICULTIES, BROUGHT ON BY THE WORLD ECONOMIC SLUMP  
AND THE GOP'S OWN ERRORS. DURING THE NEXT TWO YEARS OR SO OF  
RECOVERY EFFORTS THE GOP CAN BE EXPECTED TO LOOK TO THE U.S. FOR  
UNDERSTANDING AND ASSISTANCE AND BILATERAL RELATIONS SHOULD BE  
BETTER THAN DURING THE PREVIOUS EIGHT YEARS. AREAS OF POTENTIAL  
FRICTION IN OUR BILATERAL RELATIONS INCLUDE HUMAN RIGHTS, ARMS  
PURCHASES ESPECIALLY THOSE FROM THE SOVIET UNION, AND NARCOTICS. THE  
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MISSION RECOMMENDS CONTINUANCE OF THE PRESENT U.S. APPROACH TO

PERU. WE CAN EXERCISE SOME INFLUENCE BUT THE GOP WILL CONTINUE TO MAKE DECISIONS ON THE BASIS OF WHAT IT SEES AS DOMESTIC IMPERATIVES. END SUMMARY.

BACKGROUND: THE FIRST PHASE OF THE REVOLUTION

1. THE PERUVIAN REVOLUTIONARY GOVERNMENT OF THE ARMED FORCES TOOK POWER EIGHT YEARS AGO. DURING THE SEVEN YEARS OF GENERAL JUAN VELASCO ALVARADO'S LEADERSHIP -- NOW TERMED THE FIRST PHASE OF THE REVOLUTION -- BILATERAL U.S.- PERUVIAN RELATIONS WERE MEDIOCRE AT BEST. THIS WAS SO EVEN THOUGH THE U.S. EXPRESSED AND DEMONSTRATED SUPPORT FOR THE OVERALL STATED GOALS OF THE REVOLUTION: TO DEVELOP THE COUNTRY AND BRING ABOUT FULL PARTICIPATION BY THE PEOPLE.

2. THE U.S. DID NOT IN FACT OBJECT IN PRINCIPLE TO THE REVOLUTIONARY GOVERNMENT'S ANNOUNCED DETERMINATION TO END WHAT IT SAW AS EXCESSIVE ECONOMIC AND POLITICAL DEPENDENCE UPON THE U.S. THE BILATERAL DIFFICULTIES AROSE AND CONTINUED BECAUSE OF THE MEANS THE GOP EMPLOYED TO END ITS "SUBVIERENCE" TO THE U.S. FIRST, THE GOP UNDERTOOK A SERIES OF EXPROPRIATIONS OF U.S. ECONOMIC HOLDINGS UNDER THE GENERAL RUBRIC OF GATHERING UNTO THE PERUVIAN STATE ALL BASIC INDUSTRIES. EXPROPRIATIONS BEGAN WITH THE INTERNATIONAL PETROLEUM COMPANY (IPC), JUST SIX DAYS AFTER THE OCTOBER 3, 1968 COUP D'ETAT.

3. COMPENSATION TO U.S. OWNERS OF EXPROPRIATED PROPERTY HAS BEEN AT FIRST DENIED BY THE GOP AND THEN HAS BEEN THE SUBJECT OF TEDIOUS NEGOTIATIONS. IT TOOK OVER FIVE YEARS TO REACH A COMPENSATION AGREEMENT FOR IPC AND OTHER INITIAL EXPROPRIATIONS. WE HAVE ONLY JUST SETTLED THE MARCONA MINING COMPANY CASE (EXPROPRIATED JULY 1975). COMPENSATION FOR THE SMALL FORMER GULF OIL COMPANY HOLDINGS TAKEN IN MAY 1975 IS STILL PENDING (ALTHOUGH THE GOP HAS INDICATED ITS DESIRE TO REACH A SETTLEMENT SATISFACTORY TO THE COMPANY).

4. THE U.S. RETALIATED AGAINST THE EARLIER PERUVIAN EXPROPRIATIONS WITHOUT COMPENSATION BY WITHHOLDING ECONOMIC ASSISTANCE TO PERU. (A COMPLICATING, BUT NOT DIRECTLY RELATED FACTOR, WAS PERUVIAN SEIZURE OF U.S. TUNA BOATS AND OUR RETALIATION  
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BY CUTTING OFF MILITARY AND ECONOMIC AID). AS REGARDS LATER EXPROPRIATIONS, U.S. PRIVATE BANKERS IMPLICITLY LINKED BALANCE-OF-PAYMENTS LOANS THAT THE GOP WAS SEEKING TO A MARCONA SETTLEMENT.

5. A SECOND IRRITANT TO BILATERAL RELATIONS WAS THAT, IN ATTEMPTING TO REDUCE OR OFFSET TRADITIONAL U.S. INFLUENCE IN THE COUNTRY,

THE REVOLUTIONARY GOVERNMENT SOUGHT TIES WITH A NUMBER OF COMMUNIST COUNTRIES, NOTABLY THE SOVIET UNION AND CUBA. ASIDE FROM DIPLOMATIC ACTIVITY, CUBAN INFLUENCE GREW THROUGH THE ACTIVITIES OF CIVILIAN ADVISORS IN VARIOUS MINISTRIES AND LINKS TO THE GOVERNMENT PALACE. SOVIET INFLUENCE WAXED THROUGH THE SALE OF MILITARY EQUIPMENT

AND ASSOCIATED TRAINING OF PERUVIAN MILITARY OFFICERS IN PERU AND THE USSR. IN SEEKING A DIPLOMATIC COUNTERWEIGHT TO THE U.S., THE REVOLUTIONARY GOVERNMENT ALSO SOUGHT MEMBERSHIP AND THEN LEADERSHIP IN THE NON-ALIGNED MOVEMENT. IN RETURN FOR WHAT IT PERCEIVED TO BE VALUABLE SUPPORT FROM ITS NAM PARTNERS, PERU WENT ALONG AT LEAST WITH SOME NAM MOVES OF NO PARTICULAR INTEREST TO PERU BUT WHICH WERE IRRITATING TO THE U.S.

6. DOMESTICALLY, THE GOP WELCOMED SUPPORT FROM VARIOUS COMMUNIST AND LEFTIST GROUPS. IN RETURN, THESE GROUPS ENJOYED CARTE BLANCHE TO ATTACK THE U.S., PARTICULARLY IN THE PRESS AND IN PUBLIC STATEMENTS. A NUMBER OF LEADING MILITARY OFFICERS IN COMMAND AND GOVERNMENTAL POSITIONS WERE THEMSELVES RADICALS, INCLUDING THE ONE-TIME PRIME MINISTER FERNANDEZ MALDONADO AND FOREIGN MINISTER MIGUEL ANGEL DE LA FLOR. ALTHOUGH NOT PRO-COMMUNIST, THE IRRASCIBLE, ULTRA-NATIONALIST PRESIDENT VELASCO PERMITTED AND EVEN ENCOURAGED ANTI-U.S. ATTACKS FROM ALL QUARTERS.

THE SECOND PHASE: MOVEMENT BACK TOWARD THE CENTER

7. THE LOW STATE OF U.S.-PERUVIAN RELATIONS BEGAN TENTATIVELY TO CHANGE IN AUGUST 1975, WITH THE REMOVAL BY THE ARMED FORCES OF PRESIDENT VELASCO AND HIS REPLACEMENT BY GENERAL FRANCISCO MORALES BERMUDEZ. MORALES BERMUDEZ' LEADERSHIP PROMISED TO BE SOMEWHAT LESS RADICAL AND DOGMATIC THAN THAT OF VELASCO, MORE PRAGMATIC, PRUDENT AND PREDICTABLE. HE HAD THE REPUTATION OF BEING A TRAINED ECONOMIST AND EXPERIENCED

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FINANCE MINISTER, AT A TIME WHEN THERE WERE SIGNS THAT THE PERUVIAN ECONOMY WAS IN TROUBLE.

8. THE AMBIENCE OF U.S.- PERUVIAN RELATIONS WAS IMPROVED IN THE EARLY MONTHS OF THE NEW REGIME, BUT IT WAS HARD TO POINT TO ANY CONCRETE MEASURES TENDING TO REAL IMPROVEMENT UNTIL MARCH-APRIL 1976. AT THAT TIME THE NAVY, WHICH HAD LONG CHAFED UNDER THE LEFTWARD LURCHES OF THE REVOLUTION, FOUND ENOUGH SUPPORT AMONG ARMY LEADERS TO LEAD A CAMPAIGN TO FORCE A CHANGE IN THE DIRECTORS OF THE GOVERNMENT-GUIDED NEWSPAPERS AND A PURGE OF COMMUNISTS AND MANY LEFTIST/ANTI-U.S. ELEMENTS IN THE PRESS. THE NAVY AND ITS ARMY COLLEAGUES ALSO FORCED THE SCRAPPING OF THE NEW REVOLUTIONARY PLAN "TUPAC AMARU", WHICH HAD ELEMENTS THAT WOULD HAVE KEPT U.S.- PERUVIAN RELATIONS AT THEIR LOW EBB.

9. MODERATE-TO RIGHTIST ARMY LEADERS SET ABOUT PURGING TOP AND THEN MIDDLE-GRADE RADICAL OFFICERS. IN JULY THE LEFTIST FERNANDEZ MALDONADO FELL ALONG WITH OTHERS INCLUDING DE LA FLOR. THE MODERATE GENERAL GUILLERMO ARBULU GALLIANI BECAME PRIME MINISTER AND A CIVILIAN CAREER DIPLOMAT, JOSE DE LA PUENTE RABILL, WAS NAMED FOREIGN MINISTER.

THE ECONOMIC CRISIS: KEY TO CHANGE

10. MEANWHILE, THE ECONOMIC SITUATION HAD BECOME CRITICAL, AND THE GOP FRANKLY RECOGNIZED IT. CIVILIAN FINANCE MINISTER LUIS BARUA CASTANEDA CORRECTLY ASCRIBED THE "CRISIS" TO A COMBINATION OF THE WORLD RECESSION AND CONSEQUENT LESSENED DEMAND FOR PERUVIAN RAW MATERIALS, AND TO THE ECONOMIC AND INVESTMENT ERRORS OF THE FIRST PHASE. OTHER SPOKESMEN INCLUDING MORALES BERMUDEZ HIMSELF SAID THE SAME THING. THE INESCAPABLE CONCLUSION WAS THAT THINGS WOULD HAVE TO CHANGE. MORALES BERMUDEZ' FIRST, PRE-JULY, PRESCRIPTION, "THE MORE CRISIS, THE MORE REVOLUTION", SIMPLY WOULD NOT DO.

11. PERU HAD TO INCREASE PRODUCTION AND EXPORTS. BECAUSE OF ONE OF VELASCO'S LAST IRRATIONAL ACTS WHILE IN OFFICE, THE NATIONALIZATION OF MARCONA, PERU WAS FOREGOING YEARLY IRON EXPORTS WORTH \$100 MILLION. COPPER PRICES WERE DOWN. THE ANCHOVETA FISH, BASIS FOR PERU'S SECOND LARGEST

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EXPORT, FISHMEAL, HAD DISAPPEARED. PETROLEUM FINDS WERE DISAPPOINTING, PARTICULARLY SINCE PERU HAD INVESTED HEAVILY IN AN OVERSIZED PIPELINE TO BRING HOPED-FOR RICHES FROM THE JUNGLE OVER THE ANDES TO THE SEA. THE REVOLUTIONARY CONCEPTS OF SOCIAL PROPERTY AND INDUSTRIAL COMMUNITY LOWERED PRODUCTION OR AT LEAST DID NOT INCREASE IT, WHILE THEY SCARED OFF POTENTIAL INVESTORS. AGRICULTURAL PRODUCTION WAS NOT KEEPING PACE WITH POPULATION GROWTH. PERU SIMPLY RAN OUT OF FOREIGN EXCHANGE, AND THERE WAS NO PROSPECT FOR BALANCE-OF-PAYMENTS HELP FROM THE U.S. AND THE WEST WHILE THE GOP WITHHELD COMPENSATION FOR MARCONA AND CONTINUED A REVOLUTIONARY PROGRAM THAT WAS BEYOND ITS MEANS. ECONOMIC HELP OF THE KIND PERU NEEDED WAS NOT AVAILABLE FROM COMMUNIST COUNTRIES NOR, FOR ALL PERU'S BRANDISHED THIRD-WORLD IMAGE, FROM THE ARABS.

12. IN MAY AND PARTICULARLY JULY, PERU BEGAN TO TAKE THE REQUIRED MEASURES TO PUT ITS ECONOMIC HOUSE IN ORDER. DEVALUATION, MORE ECONOMICALLY RATIONAL PRICING OF FOOD AND CONSUMER GOODS, AND COMPENSATION FOR MARCONA ARE AMONG THE MORE VISIBLE MEASURES. ONE HEARS OF PENDING CHANGES IN THE CONCEPT AND IMPLEMENTATION OF SOCIAL PROPERTY AND THE INDUSTRIAL COMMUNITY. THE COMMERCE MINISTER TALKS OF INCENTIVES FOR

POTENTIAL INVESTORS, PARTICULARLY FOREIGN ONES.  
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TO SECSTATE WASHDC 2593

INFO AMEMBASSY BRASILIA

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13. POLITICALLY, THE GOP WITH MODERATES NOW IN CONTROL HAS  
VEERED ITS DOMESTIC ORIENTATION TOWARD THE CENTER. IT HAS ALL  
BUT CEASED ATTACKING THE U.S. AND HAS CEASED TO TOLERATE THE  
VIOLENT ATTACKS IN THE MEDIA THAT WERE A FEATURE OF THE VELASCO  
PERIOD. THE GOP HAS MOVED AGAINST ITS ERSTWHILE DOMESTIC  
COMMUNIST SUPPORTERS AND THEIR FOREIGN, PARTICULARLY CUBAN,  
ADVISORS. THIS HAS PARTICULARLY BEEN THE CASE IN LABOR, WHERE  
THE GOP HAS LOCKED UP LABOR ACTIVISTS FOR FOMENTING STRIKES  
THAT ARE ILLEGAL UNDER THE STATE OF EMERGENCY DECLARED LAST  
JULY AND RENEWED MONTHLY.

14. INTERNATIONALLY, THE GOP'S MOVE BACK TOWARD THE CENTER HAS  
LED PERUVIAN FOREIGN POLICY TO DISTANCE ITSELF SOMEWHAT FROM  
THE NON-ALIGNED MOVEMENT, AT LEAST ITS RADICALS AND THOSE

PRIMARILY INTERESTED IN POLITICAL AS DISTINCT FROM ECONOMIC  
ISSUES. PERU RECENTLY TOOK A RELATIVELY MODERATE POSITION, HELP-  
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FUL TO THE U.S., ON SEVERAL KEY ISSUES AT THE COLOMBO MEETING  
OF THE NON-ALIGNED AND IN UNESCO. PRESIDENT MORALES BERMUDEZ  
HAS ANNOUNCED THAT THE GOP WILL DEVOTE MORE ENERGIES TO RELATIONS  
WITH ITS HEMISPHERIC NEIGHBORS. A PROGRAM OF HIGH-LEVEL VISITS  
WITH THE ARGENTINES, BOLIVIANS, COLOMBIANS, CHILEANS, BRAZILIANS  
AND VENEZUELAN IS UNDER WAY.

LOOKING AHEAD

15. THE REORIENTATION OF PERUVIAN DOMESTIC AND FOREIGN POLICIES  
DESCRIBED ABOVE HAS MEANT IMPROVEMENT IN U.S.-PERUVIAN RELA-  
TIONS. U.S. BANKS ARE PREPARED TO HELP PERU ECONOMICALLY THROUGH  
A \$200 MILLION-PLUS BALANCE-OF-PAYMENTS LOAN. DESPITE THIS,  
WE BELIEVE THAT PERU WILL CONTINUE TO SUFFER ECONOMIC DIFFICULTIES  
FOR AT LEAST TWO YEARS. DURING THIS PERIOD THE GOP WILL SEE A  
REASONABLY FRIENDLY POLITICAL SANCHE TOWARD THE U.S. AS NECESSARY  
TO OBTAIN THE ECONOMIC ASSISTANCE, PARTICULARLY FROM U.S. BANKS  
AND THE IFI'S, THAT PERU WILL NEED. SUCH A CLIMATE OF RELATIVE  
GOOD FEELING AND INTENSIFIED COOPERATION SHOULD PERMIT US TO  
CONTINUE AND INTENSIFY OUR EFFORTS TO LAY THE FOUNDATIONS  
FOR STEADILY IMPROVING RELATIONS OVER THE LONGER TERM.

16. THE CURRENT GOP COURSE TO LESSEN FAR-LEFTIST INFLUENCE IN  
THE COUNTRY BECOMES INCREASING MORE DIFFICULT TO REVERSE  
BECAUSE THE MORALES BERMUDEZ GOVERNMENT IS ALIENATING THE LEFT  
AND ITS INTERNATIONAL SUPPORTERS. THESE QUARTERS ARE IN TURN  
BEGINNING (VERBALLY) TO ATTACK THE GOVERNMENT IN RETALIATION  
AND THE DISTANCE BETWEEN THE REVOLUTIONARY GOVERNMENT AND ITS  
ERSTWHILE LEFTIST SUPPORTERS IS GROWING.

17. AS TO FOREIGN POLICY, PERU WILL PROBABLY REMAIN A MEMBER  
OF THE NON-ALIGNED MOVEMENT, BUT IT IS LIKELY TO CONCENTRATE  
ON THE ECONOMIC, "BREAD AND BUTTER" ISSUES OF THE NORTH-SOUTH  
DIALOGUE. PERU IS LIKELY TO EXERCISE A MODERATING INFLUENCE  
AS REGARDS POLITICAL ISSUES THAT PARTICULARLY CONCERN THE U.S.

18. REGARDING RELATIONS WITH THE SOVIET UNION, WE THINK THE  
GOP WILL BE ON GUARD AGAINST UNDUE ACTIVITIES OR INFLUENCE  
BUT WILL SEEK TO MAINTAIN A BENEFICIAL RELATIONSHIP. FOR  
THEIR PART, WE THINK THE SOVIETS WILL CONTINUE TO PLAY FOR THE  
LONG TERM IN PERU, SEEKING TO MAINTAIN INFLUENCE IN THE ARMED  
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FORCES AND WIN FRIENDS AMONG MIDDLE-GRADE OFFICERS THROUGH THE ARMS ASSISTANCE AND TRAINING PROGRAMS. THAT MEANS THE USSR IS LIKELY TO CONTINUE TO OFFER ATTRACTIVE ARMS DEALS TO PERU, AND PERU, ALTHOUGH INCREASINGLY AWARE OF THE CONSTRAINTS AND POLITICAL COSTS, WILL BE TEMPTED TO ACCEPT CERTAIN OF THEM FOR REASONS OF ECONOMICS AND AVAILABILITY AND IN THE BELIEF THAT IT CAN MINIMIZE THE DANGERS OF CONCOMITANT COMMUNIST INFLUENCE OR INDOCTRINATION.

19. CUBA IS ANOTHER MATTER. THE CUBANS HERE HAVE BEEN LESS PATIENT AND MORE ACTIVIST THAN THEIR SOVIET COLLEAGUES. IT IS COMPARATIVELY CHEAP FOR THE GOP TO ALLOW RELATIONS TO WORSEN AND REDUCE THE CUBAN PRESENCE HERE. PERUVIAN STATE SECURITY COULD BE ENHANCED, AS SOME PERUVIAN MILITARY OFFICERS NOW IN THE ASCENDENCY APPRECIATE. ON THE OTHER HAND, CUBA IS LIKELY TO TRY TO MAINTAIN INFLUENCE CLANDESTINELY, AND MAY ULTIMATELY ENCOURAGE GUERRILLA/TERRORIST GROUPS. IF SO, PERUVIAN RELATIONS WITH CUBA WILL WORSEN EVEN MORE.

20. AS TO THE TYPE OF PERUVIAN GOVERNMENT THE U.S. IS LIKELY TO BE DEALING WITH, WE DO NOT SEE ANY REAL CHALLENGE TO CONTINUED MILITARY RULE, NOR ANY MARKED DISPOSITION AMONG THE MILITARY TO PERMIT A RETURN TO CIVILIAN GOVERNMENT. WE CANNOT COMPLETELY DISCARD A MILITARY DECISION TO TURN THE GOVERNMENT BACK TO CIVILIANS THROUGH SOME PHASED ELECTION OR SIMPLE SUBSTITUTION PROCESS, BUT WE DO NOT FORESEE THIS FOR SOME TIME TO COME. RATHER, IF MORALES BERMUDEZ IS DISCREDITED BY FAILURE TO COPE WITH THE ECONOMIC CRISIS, A GROUP HEADED BY ARBULU OR SOME MILITARY TROOP COMMANDER MIGHT DISPLACE HIM. WE DO NOT SEE A STRONG LEFTIST CLIQUE ON THE HORIZON AND THEREFORE CONCLUDE THAT IF MORALES BERMUDEZ IS REMOVED, HIS SUCCESSOR WILL LIKELY BE A POLITICALLY MODERATE-TO-RIGHTIST FIGURE. IF FOLLOWS THAT WE DO NOT SEE A RETURN TO THE RADICAL POLICIES OF VELASCO OVER THE NEXT TWO YEARS.

CLOUDS ON THE HORIZON

21. THE HUMAN RIGHTS FIELD MAY PROVE TROUBLESOME IN OUR BILATERAL RELATIONS. UP UNTIL NOW PERU'S RECORD HAS BEEN RELATIVELY CLEAN AND THIS COUNTRY DOES NOT HAVE A TRADITION OF VIOLENCE OR PHYSICAL ABUSE. HOWEVER, IF AS WE ANTICIPATE, THE

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GOP INCREASINGLY RESTRICTS THE ACTIVITIES OF THE LEFT, INCLUDING THE LABOR LEFT, WE MAY SEE AN ACTION/REACTION CYCLE. THIS COULD INVOLVE MORE AND MORE ACTIVE LEFTIST REACTION TO GOVERNMENT PRESSURE, MORE GOVERNMENT PRESSURE, LEFTIST DIRECT ACTION INCLUDING TERRORISM/GUERRILLA ACTIVITY, GOVERNMENT SUPPRESSION AND POSSIBLY EVEN REPRESSION. GOP'S DECISIONS ARE NOW TAKEN

IN CONSULTATION WITH THE MILITARY COMMANDERS, PRINCIPALLY THE FIVE ZONE COMMANDERS . THIS GROUP HAS IN THE PAST SHOWN LITTLE REGARD FOR INTERNATIONAL PUBLIC OPINION WHEN IT PERCEIVED SERIOUS NATIONAL QUESTIONS TO BE AT STAKE. THUS, PERU COULD POSSIBLY COME TO BE PERCEIVED AS A "HUMAN RIGHTS PROBLEM COUNTRY" WITH THE POSSIBLE STRAINS ON OUR BILATERAL RELATIONS THAT THIS PERCEPTION COULD BRING.

22. ANOTHER POTENTIALLY TROUBLESOME PROBLEM MAY BE CONTINUED PERUVIAN ARMS PURCHASES, INCLUDING THOSE FROM THE USSR. U.S. CONGRESSMEN AND PRESS WILL PROBABLY CRITICIZE SUCH PURCHASES, AND THE MILITARY GOVERNMENT'S REACTION IS LIKELY TO BE NEGATIVE.

23. A THIRD CAUSE OF POSSIBLE FUTURE FRICTION IS THE BROAD NARCOTICS PROBLEM. THE ILLEGAL OVER-PRODUCTION OF COCA LEAVES BY THE PERUVIAN CAMPESINO IS THE BASIS FOR MUCH OF THE ILLICIT INTERNATIONAL COCAINE TRAFFIC. PERUVIAN LAW ENFORCEMENT AGENCIES HAVE GOOD PROGRAMS OF COOPERATION WITH THE U.S. TO COMBAT ILLEGAL TRAFFICKING. HOWEVER, PERU IS ONLY JUST BEGINNING TO PERCEIVE THAT IF SHOULD MOVE TO ELIMINATE ILLEGAL COCA PRODUCTION, AND ITS ADOPTION OF EFFECTIVE CONTROL PROGRAMS IS LIKELY TO BE SLOW AT BEST. SOME POPPIES ARE BEING PLANTED IN THE NEARLY INACCESSIBLE NORTH OF THE COUNTRY, PERHAPS NOW SOLELY TO SUPPLY OPIUM FOR CONSUMPTION BY THE CHINESE COMMUNITY IN LIMA AND GUAYAQUIL. IF OPIUM GROWING CONTINUES UNCHECKED IN PERU, HOWEVER, HEROIN TRAFFICKERS MAY TURN HERE FOR SUPPLIS.

24. THE MISSION HAS DEALT WITH VARIOUS PROBLEMS AREAS IN OUR RELATIONS WITH PERU IN THE CASP, THE NARCOTICS CONTROL PLAN AND IN SPECIFIC MESSAGES. A CONSISTENT ELEMENT OF OUR RECOMMENDATIONS AND OF PESENT U.S. POLICY TOWARD PERU HAS BEEN THAT THE U.S. SHOULD DEAL OPENLY AND FRANKLY WITH THE GOP IN A CONTINUING DIALOGUE AND EFFORT TO ADVANCE MUTUAL INTERESTS AND TO RESOLVE PROBLEMS. WE SHOULD REITERATE OUR SUPPORT FOR THE CONFIDENTIAL

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OVERALL STATED AIMS OF THE PERUVIAN REVOLUTION (WITHOUT, HOWEVER, ENDORSING EVERY MEANS THE GOP ADOPTS). WE SHOULD INDICATE OUR WILLINGNESS TO COOPERATE TOWARD THE PROCLAIMED GOALS OF THE REVOLUTION WITHIN OUR OWN REAL ECONOMIC AND POLITICAL LIMITS, AND THE CONSTRAINTS OF PERUVIAN SOVEREIGNTY. AT THE SAME TIME, WE SHOULD OURSELVES UNDERSTAND THAT WHILE U.S.-PERUVIAN RELATIONS ARE IMPROVED, AND WHILE WE MAY HAVE MORE INFLUENCE THAN WE DID A YEAR AGO, THE GOP WILL STILL TAKE POLICY DECISIONS ON THE BASIS OF WHAT IT SEES AS DOMESTIC IMPERATIVES.  
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